



STATE AND SCHOOL
EMPLOYEES'

Life AND Health

P L A N

Know Your Benefits

2005 PLAN OPEN ENROLLMENT PERIOD

Through the Plan's annual Open Enrollment period, you have the opportunity to elect the health insurance coverage that is important to you and your family. Please be sure to read this newsletter in its entirety so that you understand your Open Enrollment options and the benefit changes that will be effective January 1, 2005. Be prepared for the upcoming Open Enrollment process.

In This Issue...

- 2005 Plan Open Enrollment
- Important Plan Benefit Changes
- High Deductible Health Plan Option
- Health Savings Accounts
- High Deductible Health Plan Rates
- Your Privacy in Mind
- A New Name...A New Card

Open Enrollment for Active Employees and COBRA Participants

Active Employees: If you or your eligible dependents are not currently covered under the State and School Employees' Health Insurance Plan, you may apply for coverage during the month of October. Coverage will be effective January 1, 2005. Remember, you must be covered in order to cover your dependents.

COBRA Participants: If your eligible dependents are not currently covered under the Plan, you may apply for coverage for those dependents during the month of October to be effective January 1, 2005.

You may elect the High Option Coverage for Children if you already cover your dependents, or if you are enrolling dependents. Please refer to the Plan Document (PD) for more details on this coverage.

Any employee or dependent applying for coverage during this Open Enrollment period is a "late enrollee" and will be subject to an eighteen (18) month pre-existing condition exclusion period. This period will be reduced by the total amount of prior creditable coverage the person had prior to enrollment. Pregnancy is not considered a pre-existing condition. Refer to the PD for more information on reducing the pre-existing condition exclusion.

Open Enrollment for Retirees

Although retirees cannot add dependents during Open Enrollment, non-eligible Medicare retirees can apply for the High Deductible Health Plan. See information regarding the High Deductible Health Plan in this newsletter.

If you are an active employee applying for coverage for yourself or your eligible dependents, you must return the completed Application for Coverage form to your Human Resources office. Contact your Human Resources office for their deadline for receiving applications. COBRA participants should contact Blue Cross Blue Shield to request a form. All forms must be received at Blue Cross Blue Shield by October 31, 2004.

To help you make informed decisions regarding benefits for 2005, it is important that you review the benefit changes highlighted in this newsletter. There will be several changes to the Plan effective January 1, 2005. It is your responsibility to learn as much as you can about your benefits, so that they work for you.

Changes to the Prescription Drug Program

Effective January 1, 2005, there will be changes to the co-payment amounts you pay for prescription drugs. These increases are necessary because of the continuing rise in costs of prescription drugs. Co-payments were not raised in 2004. You must continue to satisfy a \$50 prescription drug deductible before you can receive benefits under the program. The following chart shows the new co-payment amounts for prescription drugs:

	Retail Pharmacy (30-day supply)	Mail Order (90-day supply)
GENERIC DRUG	\$12	\$24
PREFERRED BRAND DRUG	\$30	\$60
NON-PREFERRED BRAND DRUG	\$50	\$100

If there is a generic equivalent available for a prescription drug and you choose to purchase the brand name version at a retail pharmacy, you will be responsible for the generic co-payment **in addition to** the difference in the price between the generic and brand name drug.

SpecialtyRx Co-payment Reduction

SpecialtyRx, the mail order specialty pharmacy program through AdvancePCS, provides specialty pharmaceutical products such as injectable medications (insulin injectables are not included in this program).

Effective January 1, 2005, participants will pay the Preferred Brand Drug co-payment of \$30 per 30-day supply when specialty drugs are purchased through SpecialtyRx.

Adult Wellness/Preventive Benefit

Effective January 1, 2005, benefits for wellness/preventive services will be increased to \$250 per calendar year for all participants age 18 and older. As with all medical services except prenatal care, wellness/preventive services are subject to the calendar year deductible.

Emergency Room Co-payment

In the June *Know Your Benefits* newsletter, we discussed how location makes a difference in health care costs. If you have ever been to the emergency room, you know that these services cost much more, for you and the Plan, than a trip to the doctor's office. While we are aware that there are instances that require a trip to the emergency room, a review of claims filed over the past year indicates that there is high use of emergency room visits for non-emergency conditions.

Effective January 1, 2005, there will be a \$50 Emergency Room co-payment per visit, after the first emergency room visit in any calendar year. The \$50 Emergency Room co-payment will not apply to the out-of-pocket amount in the Standard Plan but will apply to the out-of-pocket amount in the High Deductible Health Plan.

A recent New York Times article (Insured Patients Use of ERs Increasing; October 23, 2003) documented that only 46% of ER visits by privately insured patients are for emergency or urgent situations.

Physical, Occupational, and Speech Therapy Services

In the past, physical, occupational, and speech therapy services have been considered "carve-out" benefits because of the limited number of participating providers that provided these services. The AHS State Network now includes statewide participating providers to ensure that participants have access to these providers.

Effective January 1, 2005, benefits for physical, occupational, and speech therapy services will be provided at 80% in-network and 60% out-of-network.

HIGH DEDUCTIBLE HEALTH PLAN OPTION

Effective January 1, 2005, the Plan will offer a High Deductible Health Plan (HDHP) option. The following is a summary of the benefits for the HDHP.

	In-Network	Out-of-Network
Individual Calendar Year Deductible	\$1,050	
Family Calendar Year Deductible	\$2,100	
Individual Out-of-Pocket	\$1,450	\$2,950
Family Out-of-Pocket	\$2,900	\$4,400
Co-Insurance for In-Area Participants	90%	70%
Co-Insurance for Out-of-Area Participants	90%	85%

Why implement a High Deductible Health Plan?

A recently enacted federal law allows an eligible individual who is covered by a HDHP to establish a Health Savings Account (HSA).

What is a Health Savings Account?

Health Savings Accounts (HSA) are portable, interest-bearing, funded accounts to provide for tax-free savings for medical expenses. HSAs allow individuals to pay for current health expenses and save for future qualified medical and retiree health expenses on a tax free basis. HSAs are a new tax-favored IRA-Type account that is intended to be used to pay qualified medical expenses. HSAs are similar to 401(k) type rules and penalties.

Who is eligible for a HSA?

To be eligible, an individual:

- must be covered by a High Deductible Health Plan (HDHP),
- must not be covered by other health insurance (does not apply to specific injury insurance and accident, disability, dental care, vision care, long-term care),
- must not be enrolled in Medicare, and
- can't be claimed as a dependent on someone else's tax return.

What are qualified medical expenses?

Qualified medical expenses include, but are not limited to:

- Health Insurance Deductible
- Co-payments for medical services, prescriptions, or products
- Over-the-counter drugs
- Long term care insurance
- Health insurance premiums during any period of unemployment

Distributions for qualified medical expenses are not taxable. However, distributions for non-qualified medical expenses are subject to a 10% excise tax in most cases.

How can I apply for the High Deductible Health Plan?

You can apply for the HDHP during the Open Enrollment Period by completing an Application for Coverage form.

If you are a retiree and apply for the HDHP and you will become eligible for Medicare during 2005, your coverage will be automatically changed to the Standard Plan on the first day of the month that you become eligible for Medicare.

How can I get an HSA?

HSAs must be funded through a trust or custodial account. Permissible trustees and custodians include banks, insurers, and any entity that has been approved by the IRS to be a trustee of an individual retirement account or Archer MSA.

How do I know if an HSA is right for me?

To determine if the HDHP with an HSA is right for you and your family, you will need to do a little homework and perform a few simple calculations.

- Review past year(s) health care spending
- Determine what you have spent in out-of-pocket health care costs
- Estimate what your out-of-pocket costs would have been if you had an HSA in previous years
- Estimate your use of prescription drugs and how they will impact the dollars in your HSA

Review all of the above to determine if you would have had any excess HSA funds in prior years and remember that any unused funds “roll-over” for use in future years.

Any amount (up to established limits) that you deposit into your HSA while covered by a qualified high deductible plan is a tax-deductible expense, so be sure to calculate your tax savings.

When you look at all of the above calculations and they indicate an overall positive financial impact, and you like the idea of having significant control on how you spend your health benefit dollars, then an HSA may be right for you and your family.

What benefits are different from the Standard Plan?

The differences for 2005 will be the medical deductible, co-insurance, out-of-pocket amounts, and benefits that apply toward the out-of-pocket amounts.

Will benefits under the HDHP change from year to year?

Yes. The law requires that the deductible and out-of-pocket amounts are subject to cost of living adjustments. This means that the deductible and out-of-pocket amounts will change annually with the federal cost of living index.

Beginning 1/1/06, the law mandates that the same deductible must be applied to medical services and prescription drugs. In other words, the minimum annual deductible must be satisfied before benefits can be provided for medical services and/or prescription drugs.

In addition, co-payments and other benefits are subject to change.

HSA

Know Your Benefits

The information provided in this newsletter on HSA accounts is general information and does not constitute the provision of legal and/or financial advice. You are encouraged to consult with a tax advisor and/or other expert for more information regarding HSAs.

For more information on HSAs, go to the U.S. Treasury Department web site: <http://www.treasury.gov/offices/public-affairs/hsa>

HIGH DEDUCTIBLE HEALTH PLAN RATES

ACTIVE EMPLOYEES	Total Premium	Employee Cost
Employee Only	\$280	0
Plus Spouse	\$545	\$265
Plus Spouse and Children	\$685	\$405
Plus Child	\$352	\$ 72
Plus Children	\$457	\$177

RETIREES	Not Medicare Eligible	Not Medicare Eligible AND Married to an Active Employee
Retiree Only	\$289	\$265
Plus Spouse	\$627	N/A
Plus Child	\$361	\$337
Plus Children	\$466	\$442
Plus Spouse and Child(ren) (No Dependents Medicare Enrolled)	\$788	N/A

COBRA PARTICIPANTS	Participant Cost	Disability Extension
Participant Only	\$285	\$420
Plus Spouse	\$555	\$817
Plus Spouse and Children	\$698	\$1,027
Plus Child	\$359	\$528
Plus Children	\$466	\$685

HDHP

Know Your Benefits

STATE OF MISSISSIPPI
DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF INSURANCE
P.O. BOX 24208
JACKSON, MS 39225-4208

Presorted Standard
U.S. Postage
PAID
Jackson, MS
Permit #1022

Know Your Benefits

With Your Privacy in Mind

Some participants have expressed concern about the use of their social security number as their ID number on their health insurance card. In order to increase privacy protection, Blue Cross & Blue Shield, the Plan's medical claims administrator, will be issuing new health insurance cards with unique identification numbers to all Plan participants. Your new identification number will not include your social security number. You should receive your new health plan ID card in the mail by the end of January 2005. Once you receive your new health plan ID card, you should refer to your new ID number when contacting Blue Cross & Blue Shield.

A New Name...A New Card

AdvancePCS, the Plan's pharmacy benefit manager, has merged with Caremark Rx, Inc. In December, you will receive a new pharmacy card from Caremark with your new unique ID number. Although their name has changed, this merger will not affect pharmacy services to Plan participants.

**IMPORTANT
BENEFITS
INFORMATION**

Jane Doe
123 Main Street
Mississippi, USA

U.S.
Postage
PAID

Are You Up To Date?

During the next few months, you will be receiving important information regarding your coverage under the Plan. The 2005 *Plan Document* and your new ID cards from Blue Cross & Blue Shield and Caremark will be sent to your home address. It is crucial that your correct address and phone number are on file at Blue Cross & Blue Shield.

If you are an active employee, you need to go by your personnel office to update this information. If you are a retiree, you can call Blue Cross & Blue Shield to get a form to update this information.